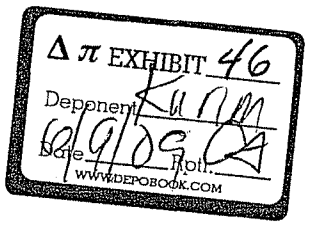

From: Steve Chen <steve@youtube.com>
Sent: Friday, July 22, 2005 8:29 AM
To: YouTube Group <[redacted]>
Subject: Fwd: introductions - Charles Chariya
Attach: Message Text.txt;YouTube Marketing Analysis - Charles Chariya July 22nd 2005.doc

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Actually, everyone should take a look at this. I originally though introductions was only appropriate for Chad because marketing == content/design but this may be interesting to everyone.

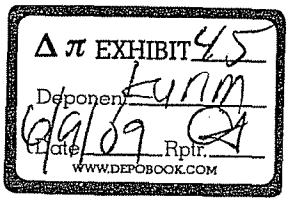
-s

Begin forwarded message:

> From: "Charles Chariya" <[redacted]>
> Date: July 22, 2005 9:17:30 AM PDT
> To: "Steve Chen" <steve@youtube.com>, "Hurley Chad" <chad@youtube.com>
> Subject: RE: introductions - Charles Chariya
>
> Steve - thanks for the introduction. Chad, I'd love to meet up with you, Steve and the rest of the team next week. I am available either Tuesday or Wednesday night. Let me know what's best for you.
>
> Steve and I have been discussing YouTube over the past week, and I think we've had some fairly productive discussions. I really think there's huge potential, and I'm excited about the possibilities.
>
> I spent a few hours last night and put together a topline marketing analysis, from my perspective. Forgive me if this is too forward, but the concept really got my creative juices flowing.
>
> Also, I've asked the surfing department here at Yahoo to include YouTube to the directory, and they'll be reviewing it later today. This should increase page rank for both Yahoo and Google, which should result in higher search results placement and hopefully, higher traffic as a result.
>
> Charles
>
> -----Original Message-----
> From: Steve Chen [mailto:steve@youtube.com]
> Sent: Friday, July 22, 2005 10:51 AM
> To: Hurley Chad; [redacted]
> Subject: introductions
>
> hi chad --
>
> this is charles. a friend from imsa. he's the guy that i've spoken to

you about who has worked at yahoo for the last 5+ years. he's been working in their marketing/sales department in new york city for the last 3 years. he'll be coming out here next week for a visit and we should try to arrange a time to meet up. i think tues/wed nights are open for you, charles?

-s



YouTube Marketing Analysis
July 21st, 2005
Charles Chariya

Overview
YouTube is a online video streaming destination which allows users to quickly and easily upload, watch, and share video worldwide.

Usage and Growth
Launched in June 2005, YouTube has grown in popularity and usage. There are currently thousands of videos which users have uploaded to the site, and tens of thousands of monthly unique visitors.

Technology
YouTube has developed a proprietary video conversion technology that converts video from standard digital formats (avi, mpg, etc) into a quick-loading and streaming flash format.

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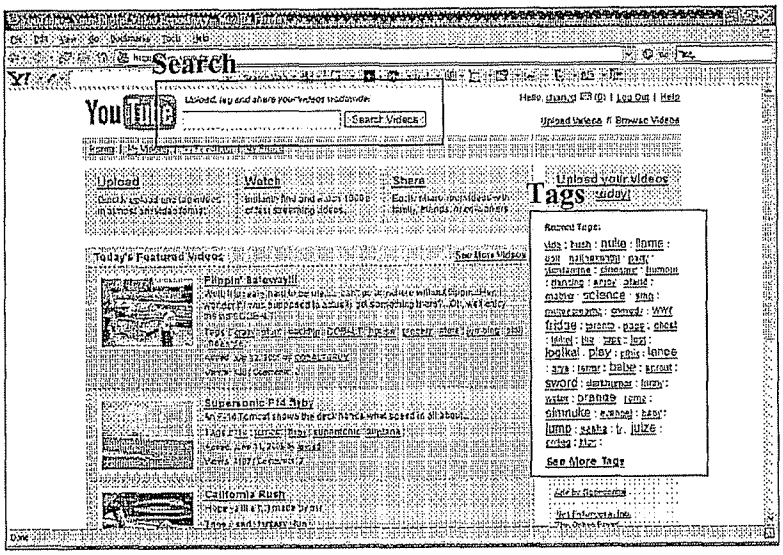
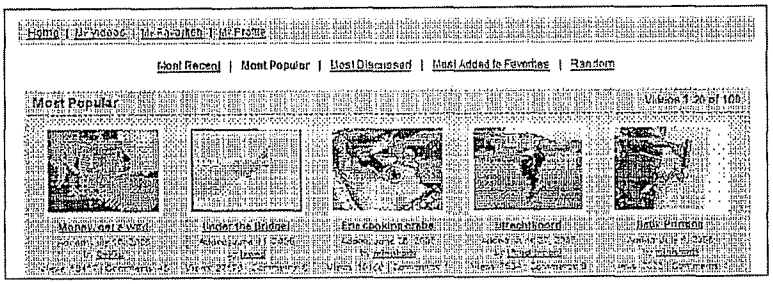
Site Overview
Finding Content
Currently, the site has minimal navigation, and is focused around a personalized interface for the content. Finding content can be done via search, browsing thru links (uploaders, favorites of other users, random frontpage streams), and via tags.



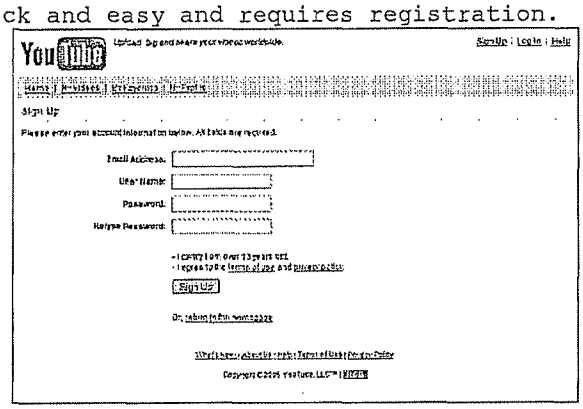
SUGGESTIONS: YouTube Reviews (hire copywriters), Add Length to the description of the videos

Also available is finding video via Recent Uploads, Most Popular, Most Discussed, Most Added to Favorites, and Random.



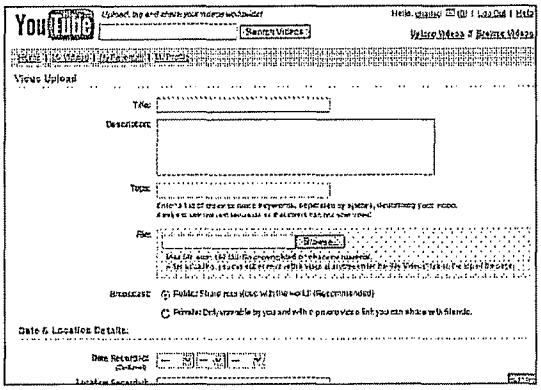
SUGGESTIONS: Categorize Videos (hire categorizers), User Rating System

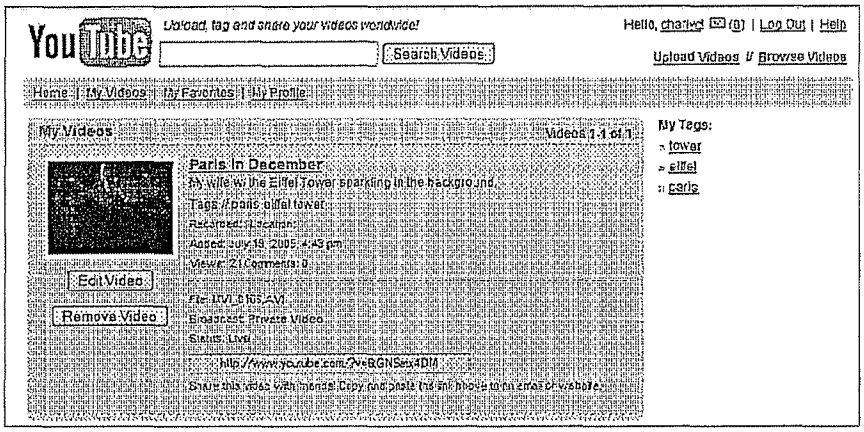
Sharing Video
Uploading is quick and easy and requires registration.



SUGGESTIONS: Require several additional fields (Age/Birth date, Gender, Occupation, Industry, Zip Code) for future targeting/profiling purposes

Once registered the uploading and sharing of videos is easy and seamless.





SUGGESTIONS: Application on-desktop to drag/drop video files, and auto-upload to YouTube. Pre-checking procedure to reject non-supported file formats (before upload takes place). Allow for non-video files to be uploaded converted and shared (mp3, wav, other audio).

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User Analysis (Current and Future)

Individuals
- Individual Uploaders
The majority of the content on YouTube is currently from random users. These users not only upload their own work, but can potentially upload publicly available content of viewing. Risk area here is copyright as many videos which are uploaded are not the property of the uploader.

- Video Sharers
Video sharers are individuals that create, edit, and share video for public or private consumption. This might include baby videos, graduation video, or just hanging out with friends. This may become the mainstream user for YouTube over time. To increase usage by this group, you may want to consider partnering with hardware manufacturers (Kodak, Sony, Canon) as the video sharing destination of choice for people who purchase video capable cameras.

- Video Resume
Video Resumes is a fairly specific subset of the individual group. These may include people who want to share their work sample, such as actors, but this can also become mainstream if YouTube were to partner with Monster.com or Hotjobs.yahoo.com.

- Vloggers
Vloggers are people who keep regular diaries or reports using video on the network. YouTube could be an easy way to help Vloggers focus on content, rather than the myriad hosting, streaming, bandwidth issues that they currently may face.

Film Producers
Film producers are really broken out into two different types, those that are made, and those that have not made it. For producers and directors that are seeking to break into the industry, YouTube could be a very quick and easy business card to showcase their work. Allowing for vanity URLs and customization of the showcase page would be a premium offering, and would provide an extremely valuable service.

Business Users
- Training Video
On a corporate basis, video is used sparsely for business purposes. The main issue relates to delivery, and YouTube can provide a means to quickly and easily solve this issue. Not only corporate video, but partnering with instructional video companies to make the current libraries accessible may be a good investment.

- Video Site Operators (Pay per content sites)
Another source of potential revenue is creating an Enterprise version of YouTube. This may require some engineering to allow for secure 3rd party referrals to content which is hosted and served by YouTube. Some consideration here would be increased resolution, disk space, private entry, reporting, and security precautions. Pricing to such site operators would likely be fixed monthly fee + streams/bandwidth/usage fee. Secure viewing might require a domain key authentication to

validate that the user requesting the stream is a valid user of the 3rd party site.

Other Professionals
- Musicians (Music Videos)
Music Video distribution may be an opportunity. Launch (Yahoo Music) was built upon the Music Video and Audio Streaming, had great support in the music community, and there may be some room to build off of this type of success.

- Athletes
Scouting Reports, sample video, etc. This is a fairly specialized marketplace, however sports is a highly monetized and competitive space.

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Competitive Analysis

http://www.archive.org/stream - Internet Movie Archive allows for users to upload and stream video in any format. This site still suffers from the delay time in buffering which YouTube avoids by converting files to flash video. Many VLoggers currently use archive.org to host their media files, and use other sources to host the creative/copy for the vlog.

Itunes - Apple's site which allows for video sharing/streaming. This site is limited as most files are in Apple QuickTime format, which does require additional installation for normal PC users, before being able to view. YouTube also requires Flash, but the penetration of Flash is currently higher than the penetration of QuickTime.

Vlog.com - Video Blogging site which sells software to create and upload video blogs for streaming. Software sells for $99 and the current employees provide vlogs which exemplify how the software and streams work.

http://blip.tv/ - Turnkey Vlog site, uses Archive.org to host/stream video. Requires Creative Commons license or release to the public domain.

Directories
http://videoblogging-universe.com/vlogs/
http://www.mefeedia.com/feeds/

Newsgroups
http://groups.yahoo.com/group/videoblogging/

Audio Competitive Analysis

http://www.ourmedia.org/ provides "free storage and free bandwidth for your videos, audio files, photos, text or software. Forever. No catches."

http://podlot.com/ is a "cheap place to park your podcast." Accounts cost only $5.

http://www.audioblog.com/ offers podcast hosting and recording tools for $50 per year.

****

Content Sources
Content is king. The current content on the site consists of random snippets which have been uploaded from various sources. Some are legit, others may be infringing on standard copyright (made by others, shared on the net, and then uploaded by unrelated party to YouTube).

As YouTube grows, a content strategy must be in place to allow for growth in the right directions. Licensed content thru partnerships, requesting content from original sources, sponsoring and producing original content are all good ways of building the right type of content going forward.

****

Risk Areas
Content
One major risk area is video which is not intended to be shown to a large audience. This could include copyrighted materials, but could also include personal videos which may show people in a negative light. Although the policy when uploading states that the video must be legit, YouTube may be liable for any damages which copyright holders may press.

Advertisers
Another major risk area is for advertisers and partners. Most quality advertisers are very specific and particular as to how their brand is portrayed. Any association to shady topics (sex, drugs, gambling, and to a lesser degree, alcohol) may make advertiser shy away from a partnership.

Technology
There may be a risk from other sites and companies to develop products and services that make YouTube obsolete. This may come from direct competitors (iFilm, Apple Quicktime, etc) or from technology companies (Google, Microsoft, Yahoo). Additionally, the ability for users to bypass the site to view video content thru embedded video may also be a technology risk, since it stops YouTube to fully monetize a users consuming the video.

****

Marketing Opportunities
Although over the next few months, there will be tremendous growth in usage from word of mouth; there are many ways to accelerate the pace of trial and usage of the site. Some standard methods of marketing include:

1. Hiring a Publicist
2. Issuing Press Releases
3. Join public forums for related areas
    a. Advertising in film schools
    b. Assisting/Sponsoring vlog groups and events
    c. Assisting/Sponsoring in film festivals
    d. Partnership with relevant advertisers (hardware/software companies)
    e. General seminars and talks with schools, businesses, etc

4. Advertising
    a. Listed in directories of companies such as Yahoo!
    b. Text-based advertising for related terms
    c. Advertising in public areas for awareness building (Times Square, Central Park, other public areas)
5. Promotions and Contests
    a. Video Contest w/ a Prize
    b. Tie-in w/ vendors that will be doing such events

****

Media Advertising Options
Although it's obvious YouTube will have video ads in the stream, I see the monetization opportunity in a few key areas:

(a) the front door - which should have the most traffic - could be exposed to advertisers for take-overs for massive one-day events.

(b) content areas - although you do use tags, I think that a human categorizer would help people navigate more easily thru the massive amounts of available video. Again, takeovers of "Autos" or "College" or even the existing "Most Popular" areas could be easy wins with advertisers.

(c) video area - so obviously, a video ad before the video, but consider breaking up videos (by a professional editor) into 4-5 minute segments to insert additional video ads. Obviously a take on what's done in network. Also, on the right hand side, I'd suggest using an industry standard Ad Position.
** Note: there will be some issues w/ this type of advertising if YouTube allows users to stream using the Embed method (which simply streams the video). Advertisers may not want their video ads running in un-controlled areas, however this is a hurdle which can be overcome.

(d) sponsored search results - this may be an easy fall-back, but should be considered, especially if users are doing a lot of search activity.

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Advertising Landscape
In 2006, $125 billion will be spent in advertising in the US, $114 billion will be spent in offline media outlets, while only $10.7 billion will be spent online, according to Jupiter Research. For the foreseeable future, online media spending will continue to grow at a 18-20% rate, while offline spending will only grow at a 4% rate.

Rich Media (which Video Ads is a sub-set) has grown relatively quickly in the last year, however they are not a large part of the overall online media spend. This is mostly due to the restrictions that many sites have (size limitations, uninitiated audio rules, etc). In 2003, Rich media made up $200 million of the $3.3 billion spent online for marketing, or less than 1%.

****

Conclusions and Next Steps

1. Determine the short-term goals
    a. Exponential Growth in User Base over next 3-6 months
    b. Increase the amount and quality of video streams which are available to consumers

2. Determine the long-term priorities
    a. Increase awareness in the Producer area (Contests or Promotions)
    b. Begin partnership discussions with advertisers and content producers
    c. Create solution for enterprise video streaming
    d. Create solution for video site operator streaming
    e. Create solution for vlogger video streaming

****

Proposed Revenue Models

A. Advertising (See Media Advertising Options above)

B. Subscription / Premium Services for Individuals
    a. Video Resumes, Music Videos, Sports Scouting Reports

B. Enterprise YouTube for Businesses
    a. Backend for businesses to host and stream video
    b. Secure streaming partner for video site operators (pay per view or premium video seller)

C. Video Ad Streaming Provider
    a. Self-service video ad serving platform for advertisers and agencies
    b. Competitors include:
        i. EyeWonder
        http://www.eyewonder.com/ews/ews_FormatInstantPlayAd.cfm?id=1
        ii. EyeBlaster
        http://www.eyeblaster.com/products/rich_media_formats/streaming_video.asp
        iii. PointRoll
        http://www.pointroll.com/products/overview.asp
        iv. Unicast
        http://www.viewpoint.com/pub/advertising/